New York State
Department of Health

Managed Care Medical Loss Ratio
(MC MLR)

Introduction to Medical Loss Ratio (MLR)

The Medical Loss Ratio (MLR) is set up to assist the NY Department of Health (DOH) to ensure that each Managed Care Organization (MCO) calculates and reports a MLR in accordance with 42 CFR Part 438. The DOH has elected to set the minimum MLR percentage at 86%, with the exception of HARP which will be set at 89%. The MLR Reporting Period will align with the rating period for each line of business as per 42 CFR §438.8(b).

Lines of Business

Plans are required to report MC MLR for the following lines of business: Medicaid, HIV SNP, Medicaid Advantage (MA), HARP, Managed Long-Term Care (MLTC) Partial, Medicaid Advantage Plus (MAP), FIDA, FIDA IDD, and PACE. The MCO is to complete the data for all lines of business that the MCO participates in.

MLR Calculation

Federal regulations define the required elements within both the numerator and denominator of the MLR calculation. The MLR report developed by DOH addresses each of the required elements that are discussed later in these instructions. There are separate calculations for each Medicaid line of business for which an MCO participates (includes lines of business for Medicaid, HIV SNP, Medicaid Advantage, HARP, MLTC Partial, MAP, FIDA, FIDA IDD and PACE.)

Definitions and Terms

The following terms and definitions are included in 42 CFR §438.8.

Credibility Adjustment

CMS included a credibility adjustment that is a required element of the MLR calculation when a MCO will be subject to an MLR remittance. The credibility adjustment utilizes the same approach developed by the National Association of Insurance Commissioners (NAIC) to address differences in expected versus actual MLR that may be due to random statistical variation. CMS defines credibility adjustment, full credibility, partial credibility and no credibility in 42 CFR §438.8(b).

Credibility adjustment means an adjustment to the MLR for a partially credible MCO to account for a difference between the actual and target MLRs that may be due to random statistical variation.

Full credibility means a standard for which the experience of an MCO is determined to be sufficient for the calculation of an MLR with a minimal chance that the difference between the actual and target MLR is not statistically significant. An MCO that is assigned full credibility (or is fully credible) will not receive a credibility adjustment to its MLR.

Partial credibility means a standard for which the experience of an MCO is determined to be sufficient for the calculation of a MLR but with a non-negligible chance that the difference between the actual and target medical loss ratios is statistically significant. An

MCO that is assigned partial credibility (or is partially credible) will receive a credibility adjustment to its MLR.

No credibility means a standard for which the experience of an MCO is determined to be insufficient for the calculation of an MLR. An MCO that is assigned no credibility (or is non-credible) will not be measured against any MLR requirements.

Member Months (42 CFR §438.8(b)) means the number of months an enrollee or group of enrollees is covered by an MCO over a specific time period; such as a year.

MLR reporting year (42 CFR §438.8(b)) means a period of 12 months consistent with the rating period, which is on a state fiscal year (SFY) 4/1-3/31 for Medicaid, HIV SNP, HARP, MLTC Partial, MAP, FIDA, and PACE lines of business. **Please note that Medicaid Advantage and FIDA IDD have a calendar year (CY) 1/1-12/31 rating period.**

Numerator
The numerator for an MCO's MLR reporting year is the sum of the MCO's incurred claims (42 CFR §438.8(e)(2)), the MCO's expenditures for activities that improve health care quality (42 CFR §438.8(e)(3)), and fraud prevention activities (42 CFR §438.8(e)(4)). Note that fraud prevention activities are not to be included in the numerator until such a standard is adopted under the private market rules at 45 CFR part 158.

Denominator
The denominator for a MLR reporting year must equal the adjusted premium revenue; adjusted premium revenue is the MCO's premium revenue MINUS the MCO's Federal, State, and local taxes and licensing and regulatory fees. (42 CFR §438.8(f)(1)).